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**Testimony Before the Labor and Public Employees Committee  
February 28, 2012**

**HB 5291 AA Increasing the Minimum Wage, Removing the Minimum Wage Tip Credit and Increasing Penalties for Failure to Pay the Minimum Wage**

The Connecticut Restaurant Association vehemently opposes HB 5291, AA Increasing the Minimum Wage, Removing the Minimum Wage Tip Credit and Increasing Penalties for Failure to Pay the Minimum Wage. Connecticut's current minimum wage of \$8.25 is already one of the highest in the nation as there are only three states that have a higher minimum wage. Simply put, any increase in labor costs will result in fewer jobs for entry-level workers.

Restaurants in Connecticut employ over 145,000 people, are a driving force in the state's economy and generate tremendous tax revenue. The restaurant industry operates on extremely thin profit margins, earning roughly 4 cents in profit for every \$1 in sales. Any increase to our costs, especially following the passage of mandatory paid sick leave and increased unemployment costs, will undoubtedly damage an already fragile industry.

Section 2 of HB 5291 is by far the most damaging proposal to the hospitality industry in Connecticut. This section proposes an elimination of the tip credit. While many states have a server wage that is completely separate from the minimum wage, Connecticut currently allows employers to pay employees who earn gratuities, a lesser wage than minimum wage, as long as that wage plus the gratuities received, equals or exceeds the minimum wage. Connecticut's current tip credit for servers is 31% and 11% for bartenders. This equates to a \$5.69 per hour wage for servers and a \$7.34 per hour wage for bartenders. If this proposal were to pass as currently drafted, servers would receive a \$4.06 wage increase as of July 1, 2013, all the while continuing to receive tips.

To put this proposal in perspective, the following example represents a restaurant that employs 20 servers, each working a 6-hour shift 4 days per week, totaling 24 hours per week. It also does not take into consideration any taxes, unemployment or any other costs that coincide with wages.

Current Law- \$142,022 per year in wages alone  
HB 5291- \$243,360 per year in wages alone

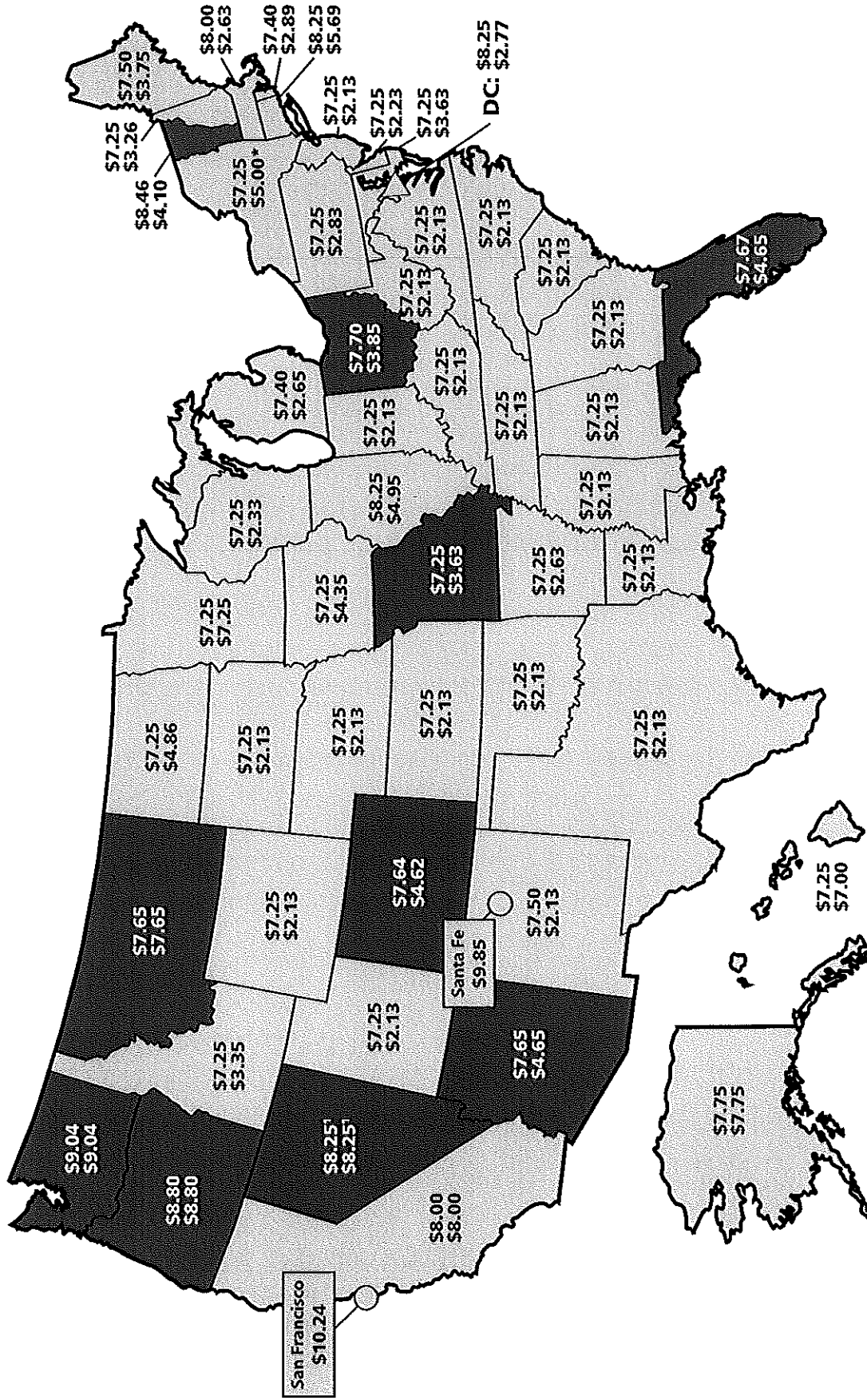
The increase to this restaurant on an annual basis would be \$101,338 on wages alone. It is unsustainable and will result in fewer jobs in the restaurant industry, and fewer restaurants in Connecticut.

Attached to this testimony is a map of minimum wage rates across the country. It also identifies which states index their wage rates yearly. The top wage for each state is the current minimum wage and the bottom rate is the current server wage. Connecticut restaurants are not only paying the highest server wage compared to our neighboring states, but are also paying \$3.56 more than 19 other states.

Wage mandates are an ineffective way to reduce poverty and cause restaurant operators to make very difficult decisions to eliminate jobs, cut staff hours or increase prices. These decisions end up hurting the very employees that wage increases are meant to help. HB 5291 will have a devastating effect on hundreds of small businesses in Connecticut. We urge you to reject this proposal.

# MINIMUM WAGE RATES

As of January 1, 2012



States that index their wage rates yearly

The information stated herein is not intended to be legal advice nor should the reader base any decision on this map without first checking with legal counsel as to its applicability and accuracy. The National Restaurant Association provides this information from its independent research sources.

1 If a Nevada employer offers a qualified health plan, the minimum wage is \$7.25 an hour.  
\* Employers should review the Hospitality Wage Order that explains the definitions of a foodservice worker and service worker.